

TAX BURDEN MANAGEMENT AND GDP GROWTH: CASE OF EU COUNTRIES

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Abstract

Tax system is an object of various scientific debates. The challenging question for centuries is determination of the optimal level of tax, which ensures possibilities of social development, quality of common welfare, and favorable business development. The effectiveness of tax system is an important factor of creation of national economic potential. Tax system itself in turn is a complicated set of provisions and standards, and economic condition of every country is being influenced by various circumstances. Therefore the issue of tax system optimization is ever so interesting scientifically and practically.

The objective of the research is to analyze the nature of interdependence of GDP variation and tax burden in EU countries and to determine, how the results of tax system's modification do influence GDP of countries with different level of economic development. Statistical data of 1995-2007 were used in this research. The strength of relation is being determined by Spearman correlation coefficient; cluster analysis is used in order to evaluate the similarities of changes of tax system and GDP growth in EU countries.

Keywords: tax burden, economic potential, GDP growth, EU countries.

Introduction

Tax system is an object of various scientific debates. It is being discussed, how to determine the optimal level of tax, how to measure the size of tax burden. The issue of optimal tax burden is relevant, while analyzing the conditions, which ensure possibilities of social development, quality of common welfare and favorable business development. The effectiveness of tax system is an important factor of creation of national economic potential. Tax system itself in turn is a complicated set of provisions and standards, and economic condition of every country is being influenced by various circumstances. Therefore the issue of tax system optimization is ever so interesting scientifically and practically. One of the most challenging questions in this context is to determine how does tax burden influence national economic potential which is generally expressed by indicators associated with GDP. When economic situation is changing, makers of fiscal policy decide to reform a tax system. The aims of reform are not always been achieved by having positive effect on national economic power. Tax reforms often provoke the resistance of society or business structure, thus determining the decline of economic potential. For this reason researches that can explain how changes of tax burden could influence national economic potential are especially relevant when planning ways of reforms.

The objective of the research is to analyze the nature of interdependence of GDP variation and tax burden in EU countries and to determine, how the results of tax system's modification do influence GDP of countries with different level of economic development.

The methods of research – econometric- statistical research used for evaluation of interrelations of tax burden and GDP changes. The strength of relation is being determined by Spearman correlation coefficient; cluster analysis is used in order to evaluate the similarities of changes of tax system and GDP growth in EU countries.

Historical development of tax system

Economic recession, evidenced in many world countries during the recent years, has invoked debates about the possibilities of economics' salvation by applying means of monetary and fiscal policy. Generally, special attention is being paid on the means of fiscal policy. The vision of optimal tax system positively influencing economic and social situation has been evolving for centuries. Many schools of economists had been creating principles of effective tax system. The issue of taxes became relevant in 15th-16th century, when the centralization of political authorities started in European states. Formed taxation principles had been changing over time, tax systems had gradually been developing. Different schools of economists sought to determine the most important objects of taxation, which would best suit the needs of that time economics. According to proponents of classical theory of economics (Stačiokas & Rimas, 2004), the taxation should be imposed only on revenue gained from rent, economic activity, and on revenue spent for luxurious consumption, and income tax and taxes of essential consumption should be transferred to the increase of rent

and revenue taxation. However, the idea of corporate tax has not been realized, because it could not always regulate private activity and capital movement.

In XIX-XX century, when capitalism entrenched and the quality of living standard increased, new national tax systems were being formed, it was argued over the importance of increase of indirect taxes and the possibility not to impose taxes on the main foodstuff. Proportional and progressive taxes for population groups, as well as capitation tax, were being imposed. These ideas were based on V. Pareto revenue distribution principle, stating that those groups of population, which are imposed by lower tax, accumulate large reserves of money (Vijerberg, 2006). Fiscal policy was created by applying analysis of prices and an ultimate field of taxation. The debates especially emphasize the necessity of formation of tax system, which would reduce the impact of destabilization factors (Nikoref, 2007).

Modern economists often emphasize that the effective mean of economic stabilization and stimulation is the reduction of corporate tax- it ensures the increase of capital contributions and stimulates the growth of manufacture as well as the objective to reduce factory costs (Levišauskaitė & Rūškys, 2003). However, it must be stressed that there is no homologous answer to the question, how the reduction of taxes influences the growth of economics in long-term perspective. Consumption taxes are characterized by greater than negative effect of multiplier than do corporate taxes. Therefore the mechanism of income collection is being often related with progressive taxes, when seeking complete employment (Varian, 2004). The objective of an ideal tax system should be to determine the tax tariffs by which it would be possible to achieve complete employment and balance the budget, but the other hand, it should be noticed that it is not possible to reject discrete fiscal policy completely, because there is a high risk of demand shock, and the results may be relatively serious- inflation, budget deficit, general economic recession and the growth of national debt (Liebman, 2006).

The most important purpose of fiscal policy is to regularize the relation between taxes and state expenditure. The evaluation of effectiveness of such policy's implementation is aggravated by the fact that the effect of application methods is noticed not offhand, but during long period. Because the scope of state functions is increasing, the modern state finance system more and more often is considered through the prism of fiscal deficit, which in some countries reaches critical level (Economic Aspects of Taxation, 2007). The means of fiscal deficit reduction must be evaluated by comparing economic price of tax increase with the price of reduction of state expenses. In short-time perspective governments generally tend to rely on the means of the increase of taxes, which look more attractive administratively. However, this step usually results in complicated, ineffective and perverse tax system that not only does not bring presumptive revenue, but also weakens the stimulus to work and save. It prevents from economic growth, and inflationary pressure of prices forms prevalent uncertainty and lack of the trust in future.

A state should have the tax system of elastic income, under which new taxes would not be imposed, tariffs would not be increased, and tax income would grow more rapidly than tax base. Elasticity (automatic reaction of tax income to economic conditions) is useful when considering economic growth (Schmit -Faber, 2006). It is achieved, when having stable (there is no future expectations), transparent (clear tariffs and permanent income control) and balanced (the amounts of contributions do reflect the trends of companies' profitability) tax system. Automatic growth of tax income allows avoiding frequent increase of taxes- the process which is usually reacted negatively to by taxpayers. The equity principle could be more thoroughly realized by applying direct than indirect taxes, and the implementation of economic effectiveness principle requires indirect taxes. Therefore national tax system is always compromise. The efficiency of these compromises is often analyzed in the context of GDP changes. The changes of GDP growth allow comparing dynamic trends of economic development among different countries and economics. GDP level, in turn, depends on the attitude of authority towards GDP redistribution through budget, as well as on prevailing tax system and the level of state's economic development (Levišauskaitė & Rūškys, 2003).

While forming state tax system the other issue of taxation limit is also important. Some researches of market economy state that there is theoretical taxation limit, and it is unadvisable to exceed it. German economist Kolin Klark (Klark, 2002) has formed the hypothesis stating that marginal relation of tax income and gross national product (GNP) is approximately 25 percent, however, there can not be homologous evaluation of taxation limit, because it depends on internal and external conditions of state, time's and macroeconomic-geographic situation, and the level of national economic and social development. In XIX century German economist Adolph Wagner (Wagner Adolph, 1835-1917) anticipated that the part of state expenses for GDP must be increasing constantly (Varian, 2004). This statement is known as "the rule of state activity's development", formed by A. Wagner (in a juridical welfare state the types and amounts of state

spending are increasing, when the standard of living increases. The latter requires additional social guarantees to social strata, seeking to maintain a high degree of society safety). Practice shows that relatively low taxes are characterized by greater economic and social benefit to economics (GDP growth- over 10% per year) of rapidly growing and developing (GDP per capita- up to 10000 €/a year) countries. (Such rapid economic growth with application of low taxes is possible only in the countries with certain economic potential, which still are in “low” economic stage- agrarian, small-industrial or changing political system and moving from planned economy to free market).

The influence of state on economics should determine the growth of economic effectiveness, social welfare, the control of unemployment level, i.e., a state should change aggregate demand towards GDP increase by using fiscal measures. The role of a state in regulation of economic processes are considered controversially by various economic theories (Romero-Ávila, & Strauch, 2008).

The attitude towards the way of combination of functions of state governance of tax system allows naming two important trends of modern economic theories. Proponents of J. Keynes’ school give their voice for active participation of state in management of investment flow, solution of social, employment problems, while seeking economic stability of a country, and representatives of economic liberalism suggest allocating to state only these functions that could not be implemented by market itself, and the purpose of which is creation of societal goods (Bankman, 1989).

It must be noticed that reduction of taxes and the striving to maintain stable budget expenditure could increase the level of manufacture and employment only on temporary base: at first prices will seem relatively stable, however, the policy of budget deficit will determine the rise of prices and thus inflation. Increased spending for assignation of governmental functions increase money demand, interest rate and unemployment, exclude investments of low profitability, when there is a recession (Hagenb & Hughes, 2007). Normally growing state consumption determines the increase of interest rate, and it, in turn, reduces investments, when taxes are being reduced. The first impact of tax policy’s changes is started to be seen quite quickly, however, it completely emerges during 5 years time, when all economic members do understand continuity and do not wait for new cyclic tax variation, when decisions to invest or work are made without additional expectations.

The reviewed theoretical researches allow stating that the search of optimal tax system model is not over. The studies in this field are especially been stimulated by the fact that new challenges started to influence economic development in XXI century.

Interdependence of GDP and tax burden in EU countries

Ambitious purposes of economic and social development of European Union development is closely related with reconstruction processes of member states’ tax systems. European Union is consisted of countries with different level of economic development, which also apply relatively different principles of formation of national tax system. It makes appropriate base for researches, which would allow identifying the nature of interdependence between tax system’s parameters and development trends of national economics. Seeking to evaluate the effectiveness of tax system and to anticipate the outline of necessary reforms (qualitative and quantitative relation of taxes), it is necessary to analyze the part of tax generated revenue for GDP, internal national prices, and to compare everything with the countries in similar situation. Substantial factor, determining different price level in various states, is measured as GDP per capita, and substantial factor of free movement of goods or services is reduction of difference of taxes between states.

The variation of GDP per capita reflects the level of national economic development quite well. It should be kept in view that not the wealth (of monetary expression) created in a state is being measured in this way, but the level of manufacture scale, which creates such value of the wealth. Theoreticians do agree that the variation of GDP is influenced by taxation burden (the amount of taxes computed from various income), but they do discuss about the occurrence of this effect. Rapid GDP growth critically increases internal consumption, and this, in turn, results in inflation. When the level of working efficiency does not keep up with income being received, over-evaluation effect of labor force remuneration. The function of taxes in this situation is to adjust consumption and protect national economics from “overheat” and uncontrolled inflation (Farrell, 2008).

The difference of price level among countries is a very important macroeconomic indicator, which as national domestic gross product (GDP) is higher in the countries with higher level of economic development and higher level of living standard. This relation is known as “Penn effect” in economics. Therefore, while

seeking higher efficiency of economic activity and higher level of living standard, it becomes necessary to overcome periods of more rapid increase of price level inflation) (V. Snieška & Baumilienė & kiti, 2001). The relation of inflation of rapidly developing countries with the growth of economics is a necessarily exists because of the fact that the increase of prices requires more money in circulation, and growing manufacture needs more resources.

Under the same monetary policy (it is regulated by European Central Bank), the main means for governments of EU countries to influence national economic growth and to ensure stable increase of GDP, are control of tax burden and great attention on the policy of taxation of labor force and mobile capital. Tax theory intends different level of state involvement in control of economic processes. Low taxes are left in the countries with liberal tax policy, at the same time the provision of social goods is being limited, while maintaining low level of social security system. Small tax burden usually is typical for radically changing countries or countries with a large growth of GDP, or countries with poor economic level, high inflation and unemployment level. EU countries, where large amounts of funds are distributed to social security, and where there are long-term traditions of stable GDP growth, are characterized by a high employment level and a high level of tax burden.

European Union is the zone of high taxes. According to 2005 data, a tax burden, i.e., relation between all tax income and GDP, achieved 39.6 % in 27 member states. Approximately it is by 13 percent more than the tax burden of United States or Japan. The average of EU taxes is high, however, not every single EU country is in the zone of high taxes: tax burden of eight ones is lower than 35 %. The differences of EU taxation is quite evident, the difference of tax burden relation (together with social security contributions) is more than 20% (from 51.3% in Sweden to 28.0% in Latvia, Lithuania and Romania). This shows significant differences of taxes in common economic EU zone. As the rule the difference between amount of taxes and GDP is substantially higher in "old" EU countries than in the new ones, which have entered the Union since 2004. However, there are some exceptions (The tax burden of Ireland is more than by six percent lower than European Union average, and the tax burden in Slovenia and Hungary exceeds the mentioned average) (European Commission, General taxation systems in EU, 2007). Ten new member states were substantially reducing tax tariffs in 2005. At the same time they were awarded by payouts and subsidies of EU, which helped to raise economic level of the mentioned states. Thus, it is not surprising that the economics of "new" countries has been growing substantially faster than the one of "old" ones.

The weight of direct taxation is usually lower in new EU member states. New EU countries have different tax structure while comparing with EU "old-timers", where revenue part from direct and indirect taxes, and social security contributions is almost equal. New EU members generally have essentially lower direct tax burden. However, reforms of tax systems are taking place in these countries as well, therefore it is important to analyze, how the variation of tax system influences national economic potential. For this purpose statistical analysis is applicable.

While analyzing statistical interrelated values it is important not only to determine interrelation, but also to evaluate the intensity of this relation. Spearman's rank correlation coefficient is applicable for such analysis. It is applied to the research of quantitative variables essentially because of the fact that this coefficient allows right evaluation of statistical relation even though there is non-repetitive error.

EU is a community of countries with very different economic development. At the same time the Union experiences large differences of GDP and tax tariffs, therefore in this research countries are grouped according to the criterion of GDP per capita. Initial step of grouping was chosen to be 5000 €/per capita and data was collected from year 2005. Thus we have 6 groups of EU member countries (see Table 1).

During the research it is sought to determine relations of interdependence between changes (difference of present tax burden and the one of the last year) of tax burden (percent part of all taxes paid in a country from national GDP) and the change of national GDP per capita. The change of national GDP is being evaluated by percentage change from GDP per capita of the last year. Statistical data of 1995-2007 from Eurostat database are used in this work, as well as publications of European Commission (Euro indicators 1995-2006. Eurostat 2006; Government Finance Statistics. Summary tables, EC 2006). The results of performed correlation analysis are provided in Table 1 below.

Table 1. GDP per capita and Spearman correlation coefficients between tax burden changes and GDP per capita changes in EU countries, 1995-2007

Group 1		Group 2		Group 3		Group 4		Group 5		Group 6	
GDP: 5000 to 10000 €/per capita		GDP: 10000 to 15000 €/per capita		GDP: 15000 to 20000 €/per capita		GDP: 20000 to 25000 €/per capita		GDP: 25000 to 30000 €/per capita		GDP:30000 to 35000) €/per capita	
countries	coef	countries	coef	countries	coef	countries	coef	countries	coef	countries	coef
Latvia	0,329	Portugal,	0,486	Greece	0,610	Italy	0,340	Belgium	0,739	Holland	0,438
Lithuania	0,420	Slovenia	0,599	Cyprus	0,692	Spain	0,407	Germany	0,519	Sweden	0,396
Poland	-0,379	Malta	0,489			UK	0,439	France	0,533	Denmark	0,470
Czechia	0,512									Ireland	0,529
Estonia	0,771									Finland	0,460
Hungary	-0,356										
Slovakia	-0,436										

Positive value of correlation coefficient shows that when one variable increases, the other tends to increase too; negative value shows that there is an inverse dependence. Different values of correlation coefficients resulted in the performed research shows that changes of GDP and taxes can be inert and evidence unequally in individual countries, subject to tax policy and business expectations. The values of Spearman coefficient, which are equal 0,3-0,5 show weak, and 0,5-0,7 average intensity of interdependence of factors being researched (Vaitkevičius & Saudargienė, 2006). Since the values of results are from 0,32 to 0,77, it is possible to state that statistical relation is reliable and significant statistically. In accordance with results it is possible to make conclusions about common trends of GDP and taxes' changes.

According to economic national development level, changes of GDP growth and changes of tax burden evidence differently, when evaluating GDP per capita. Countries with the lowest GDP per capita are very sensitive about change of tax burden, although the GDP growth there is quite high. The evaluation of tax burden from GDP is well known measure for determination of tax system situation in a country. As an indicator it is definitely limited because of social-economic support benefits, which influence the level of tax burden. Therefore it is always important to evaluate transfer payments of a state (Economic Aspects of Taxation, EC 2007). Countries with relatively higher tax part from GDP generally have higher taxes for social contributions, seeking to balance the needs of aging society. By identifying the trends of taxes' changes of countries' groups it is possible to establish consistent patterns, which have impact on influence of taxes on GDP, and to plan effective strategies of tax reform on the grounds of experience and consistent patterns.

Summarizing results of performed analysis, it is possible to state that only in more scanty countries the increase of taxes can have negative influence of the trends of GDP growth. In "richer" countries it could not be identified that the increase of tax burden had negative influence on the trends of changes of GDP per capita. Correlation relation between changes of tax burden and GDP per capita is stronger in the countries with historically high tax burden and stable tax system.

During 1995-2007 EU countries experienced actions of tax systems' reforms, therefore the resulted findings of correlation analysis should be supplemented by the research showing the nature of changes, which took place in the countries researched. For this purpose the cluster analysis is applicable.

Cluster analysis allows determining the similarity of objects according to object's changes and to them in the manner that the changes in the cluster groups would be as small as possible. Thus, we have groups with objects of similar behaviour. Hierarchical clusters are made in accordance with assumption that all data compose one big cluster, which consists of smaller clusters, consisted of even smaller clusters (R. Vaitkevičius & Saudargienė, 2006).

Annual changes of GDP per capita, which has taken place during recent ten years and the changes of national tax burden during respective period were examined while performing cluster analysis. The results of this analysis show the countries with similar changes of taxes and GDP per capita. The results of the mentioned analysis are laid down in Table 2.

After completing cluster analysis according changes of GDP per capita, the countries form groups, which partially conform to their property status in accordance with GDP per capita. During the recent 5 years more rapid pace of GDP growth has been achieved by countries, the level of economic development of which was lower, when evaluating GDP per capita. The exceptions include Poland and Portugal, the GDP per capita of which is lower than EU average, but the pace of GDP growth is low, and Ireland, demonstrating the opposite trends- the GDP per capita is one of the highest in EU, but high GDP increment is still maintained.

By making the assumption that the changes of tax burden influence GDP, we make a cluster, describing similarities of modification of implemented tax systems in EU countries. After completing this analysis, six clusters were made, where changes of tax systems determine the similar effect of changes of national GDP (Table 2). It is likely that changes of tax systems must have common trends in the same group. On the grounds of the experience of these countries it would be possible to anticipate the changes of tax system that would determine desirable change of GDP per capita.

The results of performed analysis show that from 2000 countries with high taxes have started reducing taxes taking into account general trends of tax reduction in countries with low taxes. The major part of those countries is composed of states which have recently joined EU. The largest reduction of taxes during recent years has been noticed in Greece, Slovakia and Germany, while at the same time taxes did increase in Malta, Ireland and Denmark (Compulsory Levies in the EU Economy and Finance, EC 2004).

Table 2. Results of cluster analysis

Cluster	Cluster analysis according to similarities of GDP changes, while analyzing in accordance with GDP per capita			Cluster analysis according to similarities of tax system's changes, while analyzing in accordance to the level of GDP per capita				
	Groups according to GDP per capita	Countries	Direction of change	Countries	Spearman correlation coefficient for a country	Cluster according similarities of GDP changes	Group according GDP per capita	Direction of change
1	4	Italy Germany	↑ Increase of GDP increment ↓	France	0,519	2	5	↑ Increase of tax burden changes ↓
	5			Belgium	0,739	2	5	
2	4	UK France Belgium Sweden Denmark		Ireland	0,470	6	6	
	5			Portugal	0,486	3	2	
	5			UK	0,439	2	4	
	6			Sweden	0,396	2	6	
	6			Denmark	0,396	2	6	
3	2	Portugal Holland Cyprus		Germany	0,519	1	5	
	6			Finland	0,460	4	6	
	3			Sweden	0,396	2	6	
				Holland	0,438	3	6	
4	1	Poland Finland Malta		Italy	0,340	1	4	
	6		Greece	0,610	5	3		
	2		Cyprus	0,692	3	3		
			Malta	0,489	2	3		
			Malta	0,489	2	3		
5	1	Hungary Slovenia Greece Spain Slovakia Czechia	Hungary	-0,356	5	1		
	2		Slovenia	0,599	5	2		
	3		Greece	-0,379	4	1		
	4		Spain	0,512	5	1		
	1		Slovakia	0,512	5	1		
	1		Czechia	0,512	5	1		
6	1	Latvia, Estonia, Lithuania, Ireland	Latvia	0,329	6	1		
	1		Estonia	0,771	6	1		
	1		Lithuania	0,420	6	1		
	6		Lithuania	0,420	6	1		
			Ireland	-0,436	5	1		

During the recent five years tax burden of European countries has been declining for approximately 2% from GDP. The difference between old EU member states (in Sweden) and the lowest taxes (in Ireland) is equal to 21% from GDP, and this number is lower by 3-4 % in recently joined countries. Therefore after the entry of new states, the tax burden of EU has reduces from 39,6% to 34,5 % from GDP. For this reason a majority of old countries – Holland, Finland, Germany, and Sweden - are forced to reduce the burden by 2-3 % from GDP. The opposite trend is notices only in Czech Republic, where tax burden during the last five years has increased by 2,2%. It is well noticed that countries with higher tax burden than the average one (generally- EU member states) stand on imposition of limitations in order to regulate their tax systems till strong variation trends entrench in tax systems of countries with low taxes (Economic and Budget Policy Guidelines, EC 2004).

Some new EU member states, most of which belong to cluster group 6, have achieved short-term economic progress after rapidly reducing the tax burden. Seeking to provide employment with additional stimulus, it is being attempted to increase consumption taxes by reducing taxation of work and direct taxes, and by increasing VAT and insurance tax. Permanent trend directed towards reducing taxation of work is

noticed, however, it becomes slower, because any substantial reduction would use essential financial resources and it would be difficult to obtain the results without changing tax burden. The decrease of taxation of work has stopped in old EU member states in 2005, despite the widespread agreement over the objective of lower taxes for work. The level of work's taxation in EU countries, despite the existence of states with low taxes in EU, is higher in comparison with other industrialized economics, although the tax burden in EU countries has decreased by 60% from 1995. When evaluating trends of aging of European society, it becomes clear that permanent shift of tax burden from labor taxation to increase of consumption taxes gives a component of additional social security (Tax revenue in EU Member States. Trend, level and structure 1995-2005, EC 2006). New "green taxes" have recently been imposed in countries with higher GDP per capita (cluster group 2)- Sweden, Denmark, Belgium- at the same time reducing the taxation of work. The importance of this "new" tax should increase noticeably (Johansson, 2006). National insurance contributions make a larger part than income tax in taxation of work in many EU countries. Despite noticeably reduced income taxes, income received from taxes has constantly been growing from 2003. Consumption taxation has also been constantly growing- in many EU countries the average of this taxation has been growing by 1,5% every year. This trend is especially seen in smaller and recently joined EU states.

In countries with higher level of economic development, where GDP per capita is the highest in the whole Europe, slowly growing tax variation has positive effect on the increase of GDP, and the decrease of tax burden results in the decrease of GDP (Bayoumi, 2000). The variation of tax system has almost no influence on the decrease of GDP growth in the countries of high level of economic growth, such as Ireland, where GDP per capita has changed more than twice during ten years. Therefore it is possible to state that a steady economic growth is combined with tax system and present tariffs of taxes.

It may be stated that many EU countries have ever attempted to reduce taxes and to increase them afterwards, seeking to ensure the growth of GDP and to pay more attention to system's transparency, in order to increase budget revenue, to simplify tax system and to equalize tax tariffs present in EU, while considering taxing potentials of a country. Higher tax revenue indicators of other EU states do not show that these countries are spendaholics, who are not able to understand, how much they would gain after reducing the taxes. The problem is simpler: it is probable that the schools of named countries are being financed in the manner, that larger part of society understand the necessity of taxes, and social guarantees are correspondent with tax burden. Countries with higher tax burden also pay higher social security benefits for their residents.

The results of cluster analysis displayed the trends of tax burden management policies performed in EU countries and GDP growth trends. The effectiveness of these policies will be approved by economic crises challenges and this encourages further research.

Conclusions

Tax burden must conform to economic development level of a country. High tax burden is justifiable in the case of countries with a high technological level, high work efficiency and a culture of taxes' payment. In countries with higher level of economic development, where GDP per capita is the highest in the whole Europe, slowly growing tax variation has positive effect on the increase of GDP, and the decrease of tax burden results in the decrease of GDP.

The increase of taxes during 2004-2007 in Europe shows that the route of EU countries into tax decrease is over, and tax burden is being transferred from taxation of labor force to taxation of public goods, whereas total tax burden is growing evenly- the trend of higher consumption taxes will spread. It should become the trend of forthcoming decade.

EU member states with higher level of taxation are less minded to perform short-time tax reform- as if high taxes imposed "stability" elements of a tax system.

Countries with higher than EU average tax rate (old-timers of EU) tend to impose limits for their tax systems till strong variation trends entrench among countries with low taxes, and till stable taxes level there.

The analysis of economic conditions of EU member states allows making conclusions which state that although GDP of countries with "lower" taxes has grown rapidly enough, they still have no trends of stable economics' development in long-time period of economics' development.

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